



DEC 23 1985

Colonel Otto J. Guenther
Director, Defense Acquisition
Regulatory Council
OUSDRE (DARS)
Room 3D139, Pentagon
Washington, DC 20301

Dear Colonel Guenther:

In accordance with the Department of Defense Inspector General memorandum of April 26, 1985, enclosed is a copy of material pertaining to the Federal Acquisition Regulation (FAR).

Please provide to Mr. Charles L. Cipolla, Deputy Assistant Inspector General for Contract Audit Policy and Oversight, a copy of the six proposed rules as provided to the Federal Register and published on December 19, 1985, as follows:

- a. FAR 31.201-2, concerning unallowable costs under FAR 31.205. (FAR Case 85-63)
- b. FAR 31.205-6 and 31.205-46, concerning company - furnished automobiles. (FAR Case 85-64)
- c. FAR 31.305-14, concerning implementation of Congressional direction regarding the cost of membership in social, dining, and country clubs. (FAR Case 85-65)
- d. FAR 31.205-33, concerning costs of litigating appeals against the Government. (FAR Case 85-66)
- e. FAR 31.205-52, concerning executive lobbying costs. (FAR Case 85-67)
- f. FAR 31.205-51, concerning alcoholic beverage costs. (FAR Case 85-68)

Sincerely,

Margaret A. Willis

MARGARET A. WILLIS
FAR Secretariat

Enclosure

*your copy -
rest of material
pertaining to this is in
my top drawer*

*Charles
12/27*

*6
FAR
messages*

[BILLING CODE 6820-61-M]

DEPARTMENT OF DEFENSE

GENERAL SERVICES ADMINISTRATION

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

48 CFR Part 31

Federal Acquisition Regulation (FAR); Company-furnished
Automobiles.

AGENCIES: Department of Defense (DoD), General Services Administration
(GSA), and National Aeronautics and Space Administration (NASA)

ACTION: Proposed rule.

SUMMARY: The Civilian Agency Acquisition Council and the Defense
Acquisition Regulatory Council are considering a change to Federal
Acquisition Regulation (FAR) 31.205-6, Compensation for personal services,
and 31.205-46, Travel costs, concerning company-furnished automobiles.

COMMENTS: Comments should be submitted to the FAR Secretariat at the
address shown below on or before [Insert date 30 days after publication in
the FEDERAL REGISTER] to be considered in the formulation of a final rule.

ADDRESS: Interested parties should submit written comments to:

GENERAL SERVICES ADMINISTRATION
FAR Secretariat (VRS)
18th & F Streets NW., Room 4041
Washington, DC 20405

Please cite FAR Case 85-64 in all correspondence related to this issue.

FOR FURTHER INFORMATION CONTACT: Ms. Margaret A. Willis, FAR
Secretariat, Telephone (202) 523-4755.

SUPPLEMENTARY INFORMATION:

A. Background:

A provision contained in Section 911 of the Defense Procurement Improvement Act of 1985 (Title IX of the DOD Authorization Act of 1986, Pub. L. 99-145) specifies that, as a minimum, the cost principles applicable to contractor costs of company-furnished automobiles shall be clarified to define in detail and in specific terms those costs which are unallowable, in whole or in part, under covered contracts.

The Defense Acquisition Regulatory Council and the Civilian Agency Acquisition Council are proposing revisions to FAR 31.205-6, Compensation for personal services, and 31.205-46, Travel costs, to implement the Act. The proposed revisions state that the cost of contractor-owned or -leased automobiles is allowable, if reasonable, to the extent that the automobiles are used for company business. Additional proposed language states that the portion of the cost of company-furnished automobiles that relates to personal use by employees is compensation for personal services and is unallowable. The Councils believe it is inappropriate for the Government to reimburse contractor employees' personal costs at taxpayers' expense.

B. Regulatory Flexibility Act.

The proposed revisions to FAR 31.205-6(m) and 31.205-46(f) are not expected to have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 et. seq.) because most contracts awarded to small entities are awarded on a competitive fixed price basis and cost principles do not apply.

C. Paperwork Reduction Act.

The Paperwork Reduction Act (Pub. L. 96-511) does not apply because this proposed rule does not impose any additional reporting or record-keeping requirements on the public beyond those already required by the Internal Revenue Code.

List of subjects in 48 CFR Part 31

Government procurement.

Dated: DEC 13 1985



LAWRENCE J. RIZZI
Director, Office of Federal
Acquisition and Regulatory Policy

Therefore, it is proposed that 48 CFR Part 31 be amended as follows:

1. The authority citation for Part 31 continues to read as follows:

Authority: 40 U.S.C. 486(c); 10 U.S.C. Chapter 137; and 42 U.S.C. 2453(c).

-
2. Section 31.205-6 is amended by revising paragraph (m) to read as follows:

31.205-6 Compensation for personal services.

* * * * *

(m) Fringe Benefits.

(1) Fringe benefits are allowances and services provided by the contractor to its employees as compensation in addition to regular wages and salaries. Fringe benefits include, but are not limited to, the cost of vacations, sick leave, holidays, military leave, employee insurance, and supplemental unemployment benefit plans. Except as provided elsewhere in Subpart 31.2, the costs of fringe benefits are allowable to the extent that they are reasonable and are required by law, employer-employee agreement, or an established policy of the contractor.

(2) That portion of the cost of company-furnished automobiles that relates to personal use by employees (including transportation to and from work) is unallowable regardless of whether the cost is reported as taxable income to the employees (see 31.205-46(f)).

3. Section 31.205-46 is amended by adding paragraph (f) to read as follows:

31.205-46 Travel costs.

* * * * *

(f) Costs of contractor-owned or -leased automobiles, as used in this paragraph, include the costs of lease, operation (including personnel), maintenance, depreciation, insurance, etc. These costs are allowable, if reasonable, to the extent that the automobiles are used for company business. That portion of the cost of company-furnished automobiles that relates to personal use by employees (including transportation to and from work) is compensation for personal services and is unallowable as stated in 31.205-6(m)(2).